



California Transparency in Supply  
Chains Act of 2010 disclosure and  
UK Modern Slavery Act Statement

**COTY**  
SINCE 1904



## DECEMBER 2022

THIS DOCUMENT IS INTENDED TO SERVE AS:

- (1) Annual statement required to be published for the purposes of the United Kingdom's Modern Slavery Act 2015.
- (2) The required disclosure for the purposes of the California Transparency in Supply Chains Act of 2010.

Consistent with Coty Inc.'s ("Coty" or "We" or "Our") longstanding commitment to excellence and corporate responsibility, including its commitment to employees and consumers throughout the world and to the communities and the environment in which Coty and its products are present, Coty confirms its dedication to ensuring that the supply chains it employs in the sourcing and manufacturing of its products do not include, utilize or tolerate human trafficking, slavery and forced or child labor.

Consistent with its assessment of the potential risks, and in accordance with the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015 (the "Acts"), Coty describes below the efforts that it makes and has made over the past financial year (1 July 2021 - 30 June 2022, which we refer to in this statement as "FY2022" or "fiscal 2022") to ensure human trafficking, slavery and forced or child labor are not present in its operations or the operations of its contractors, subcontractors and suppliers (together "Business Partners").

### STRUCTURE AND SUPPLY CHAIN

Coty is one of the world's largest beauty companies with an iconic portfolio of brands across fragrance, color cosmetics, hair color and styling, and skin and body care. In FY2022, Coty had approximately 11,000 full-time employees in over 36 countries. In addition, Coty typically employs a large number of seasonal contractors during our peak manufacturing and promotional season. Coty markets, sells and distributes products in approximately 125 countries and territories. Coty's organizational reporting structure is based on regional commercial business units (Americas, EMEA and Asia-Pacific). These business units focus on two categories:

- Consumer Beauty is primarily focused on mass color cosmetics, body care, fragrances and nail care products.
- Prestige is primarily focused on premium fragrances, skincare and cosmetics.

Our supply chain enables the production of our beauty products and daily business operations.

- **Beauty products:** We manufacture, market, sell and distribute a range of beauty products for consumers to enjoy. We manufacture and package approximately 80% of our products, primarily in facilities located in the United States, various countries in Europe, Brazil and China. We continue to utilize a network of third-party manufacturers (TPMs) on a global basis who produce approximately 20% of our finished products.

- **Raw materials:** The principal raw materials used in the manufacture of our products are primarily essential oils, fragrance oils, alcohols and speciality chemicals. The essential and fragrance oils in our fragrance products are generally sourced from fragrance houses. We purchase raw materials from various third parties. We also purchase packaging components that are manufactured to our design specifications. We have identified raw materials where there is an increased risk of human and labor rights abuses – mica and palm oil – and continue to work to mitigate this risk.
- **Licensors:** We have a diverse portfolio of brands. As of 30 June 2022, we maintained 22 brand licenses predominantly within our luxury division. We engage the licensors to ensure specific conditions are met, including the behavior of our suppliers, distributors and retailers.
- **Business operations:** As a large global organization, we have other supply chain activities which include offices, marketing, retail stores and websites.

In spring 2020, we announced the sale of a majority in our Professional Beauty and Retail Hair Businesses including the Wella, Clairol, OPI and ghd brands (together the “Wella Business”). Beginning December 1, 2020, the Wella Business is a standalone company, and Coty retains an interest in the standalone entity. This statement, covering fiscal 2022, excludes Wella Business operations and associates.

## INTRODUCTION

In February 2020, we launched our dedicated sustainability strategy, [Beauty That Lasts](#). It was guided by the United Nations Sustainable Development Goals (SDGs) to address the social, environmental and ethical impacts of our business. It is structured around three pillars: Beauty of Our Product, Our People and Our Planet. We have set time-bound targets to help us achieve our vision to become a more circular business, and create a more sustainable and inclusive world.

Our “Product” pillar priorities include responsibly sourced ingredients, supply chain transparency, sustainable innovation, and packaging based on circular design. Our “People” ambitions encompass our ethical business activity throughout our value chain and building a more inclusive business. This includes a focus on diversity, equity and inclusion, recognizing the importance of diversity at a leadership level and throughout our whole organization – including diversity of gender, ethnicity, ability, background, gender identity and sexual orientation. Finally, our “Planet” pillar sets out how we aim to minimize our environmental impact.

### Our approach

We believe that everyone has the right to be treated with dignity and respect, and we are committed to respecting and promoting fundamental human rights throughout our own operations and extended supply chain. In FY22, we published a new [Human Rights Policy](#), setting out this commitment. This includes a dedication to actively identify and address actual or potential human rights violations within our sourcing and manufacturing supply chains, and working to ensure that they do not include, utilize or tolerate human trafficking, slavery and forced or child labor and comply with all applicable laws.

Within our own business, we want to ensure that all our associates work in a safe environment that is based on equal opportunity and is free from discrimination or harassment.

Our policies in this area are guided by international standards including the UN Declaration of Human Rights, the fundamental rights set out in the International Labour Organization's (ILO) Declaration on the Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. We have been a signatory to the UN Global Compact (UNGC) since 2015 and support the ten principles on human rights, labor, environment and anti-corruption. We are members of UNGC Netherlands Network which helps continue to develop our understanding in identifying and managing sustainability topics including human and labor rights risks.

We are also involved in a number of industry efforts related to respecting and advancing human rights in a non-competitive manner:

- The Responsible Mica Initiative (RMI), a multi-stakeholder action group aiming to establish a 100% responsible Indian mica supply chain by the end of 2030. For further information, see page 7.
- The Roundtable on Sustainable Palm Oil (RSPO) aims to reduce the impact of the palm oil supply chain on human rights as well as biodiversity and the environment. We are working towards the ambition for all our palm oil purchases to be RSPO mass balance-certified.
- AIM-Progress aims to positively impact people's lives and ensure respect for human rights, while delivering value to members. The partnership promotes responsible sourcing practices by sharing best practices and building capability within member and supplier organizations, giving people the knowledge, confidence and ability to develop and execute robust responsible sourcing programs. Coty takes part in the mutual recognition program, sharing audit information to avoid duplication or audit fatigue. Coty is also a member of the network's targeted Impact Measurement Group workstream, which aims to align on an approach to measure the impact of responsible sourcing on people.
- The Responsible Beauty Initiative (RBI) is a beauty industry effort to improve sustainability across supply chains by sharing best practices. By leveraging a common pool of EcoVadis scorecards, the beauty sector collaborates to track, address and improve challenges including human and labor rights. In FY22, through RBI, Coty promoted the launch of the EcoVadis Academy training platform to its supplier base, featuring sixteen courses, including those focused on Labor and Human Rights, Diversity and Inclusion and Anti-Corruption.
- SEDEX, or Suppliers' Ethical Data Exchange, is an online portal for storing suppliers' self-assessment and audit documentation, focused on the pillars of Labor Standards; Health & Safety; Environment and Business Ethics. We risk map suppliers; those identified as high-risk undergo a SEDEX ethical audit, and we then use the SEDEX platform to manage the data from these audits.

## INTERNAL POLICIES AND TRAINING

Our associates are key to ensuring our business continues to operate to a high ethical standard and internal accountability is fostered. Our associate Code of Conduct sets out what our associates must do to ensure these high standards, and outlines the reporting process and protocol if they have any concerns. Associates are expected to adhere to our Code of Conduct, which is available in 13 languages. Training is provided to new associates, with additional training throughout the years.

Our global compliance program, “Behave Beautifully”, is designed to detect and prevent violations of the law and promote a culture of ethical business practice. In FY22, we conducted face-to-face training in Brazil and China to maximize exposure to ‘Behave Beautifully’, while globally we rolled out our annual campaign to encourage all associates to complete the compliance training modules.

Our compliance training sets out our standards across a number of areas, including anti-bribery and corruption, competition law, data privacy, and prevention of harassment and discrimination. We aim for 95% of associates to complete compliance training annually. In FY2022, 96%<sup>1</sup> of employees were trained in one or more compliance modules.

We continue to encourage employees and third parties to use the Ethics and Compliance Hotline to raise questions, concerns or grievances. The hotline is available through multiple channels and many languages. Reporting can be made anonymously, and each report is investigated. The issues received and investigated through the hotline are evaluated by the Compliance function to ensure a proper risk assessment of the concern or issue(s) raised. We report complaints data and risk areas on a quarterly basis to the Board and Audit and Finance Committee.

### Covid-19

In FY2022, the Covid-19 pandemic continued to have a limited impact on our business operations and the communities in which we operate. The health and safety of our associates and their families has been the number one priority for our business. Where local regulatory guidance required it, remote working practices were maintained for our office-based associates. For those in our factories and distribution centers, we acted in accordance with government guidelines to ensure these spaces were Covid-secure, reopening them slowly and only when safe to do so.

## SUPPLY CHAIN POLICIES AND TRAINING

Our commitment to respecting human rights extends throughout our supply chain to our Business Partners. With a complex global supply chain, it is essential that we work closely with suppliers to manage any potential risks and help build a better, more sustainable business.

We require suppliers to adhere to our [Code of Conduct for Business Partners](#) (CoC), which sets out our expectations for anti-corruption, data privacy and human and labor rights, among other practices. Compliance with the CoC, or agreed equivalent, is a requirement

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<sup>1</sup> The scope includes all active employees, excluding employees who are on paid or unpaid leave or those who don't have access to a private computer.

of working with us. We include the CoC when requesting quotes from suppliers and embed it within Terms & Conditions of purchase orders.

The Code of Conduct for Business Partners is based on international human and labor rights standards, and slavery and human trafficking in their own businesses and materials supply chains. As of June 2022, 571 business partners had signed the CoC or had contracts including a CoC clause.

We value our partnerships and want to help stakeholders improve their sustainability performance. When a risk is identified through poor SEDEX or EcoVadis, they are supported to improve their practices through corrective action plans which set clear timelines for expected improvement. Where we see no meaningful improvement or in the event of serious breach or repeat minor breaches, Coty has a grievance policy in place which can result in moving business away from that partner over 12-18 months.

In FY2022, we continued deployment of our responsible sourcing framework among buyers, which includes key indicators to monitor progress. Supplier performance against the framework is considered when: Assessing performance of existing suppliers, defining a supplier panel to be briefed, awarding business, and identifying potential new suppliers.

Our compliance function also uses third-party due diligence tools and processes designed to evaluate whether our Business Partners are conducting their respective businesses ethically and lawfully. In FY2022, all our new high-risk vendors and suppliers completed this due diligence program.

In addition, our third-party manufacturing agreements include a specific clause requiring that suppliers do not use any child or forced labor.

Traceability and greater transparency are critical to ensuring labor rights are protected across supply chains. We are partnering with our strategic suppliers to introduce a Sustainable Sourcing Policy, including traceability and transparency requirements, into our contractual agreements. Further, recognizing that many of the essential ingredients used within our fragrances are sourced from farming communities where potential human rights risks are higher, we have engaged with strategic suppliers to set traceability ambitions for 14 key high-volume natural raw materials. In FY2022, working with our strategic suppliers, we have been able to trace 11 of these ingredients to a country and regional level, and for one of these materials the supply chain has been mapped to farm level.

## **SUPPLIER ASSESSMENTS**

Our ongoing compliance verification focuses on those suppliers who are considered at a higher risk of non-compliance to the Code of Conduct for Business Partners. We use both an external risk assessment tool and the SEDEX radar risk assessment to determine which sites are high risk. Both tools consider the material or service being purchased, and geographical region it is provided from. In FY2022, 295 suppliers were assessed under the SEDEX self-assessment questionnaire. In addition, we have an automated risk tool linked to our vendors through which 11,502 sourcing scenarios have been assessed based on country, sector and commodity risk.

A further 224 high-risk suppliers were then audited using the [SMETA](#) (SEDEX members ethical trade audit) third-party audit. Audits are performed by independent auditors and can be semi-announced (with a three-to-four-week audit window) or unannounced. Where

there is an audit already in place, we accept an announced audit but request all future audits to be semi-announced. Audits cover the areas of:

- Labor and human rights (including modern slavery)
- Health and safety
- Environmental standards
- Business ethics

Suppliers can select an auditor from an approved list who are [SEDEX affiliate audit companies](#) and members of the Association of Professional Social Compliance Auditors (APSCA).

Our SEDEX partnership continues to be key. We have an ethical trade coordinator dedicated to Coty from SEDEX, who assists in the whole process and engages with our suppliers to work together on compliance.

### **Ongoing supplier assessment**

We continue to use both SEDEX and EcoVadis to demonstrate and assess supplier performance. EcoVadis is used to assess the environmental and social performance of our suppliers, based on supplier documentation related to the four key areas:

- Environment
- Labor and Human Rights
- Ethics
- Sustainable Procurement

EcoVadis analysts assess our suppliers' documentation related to these areas as well as analyze their performance through a thorough 360° process. If areas of high risk are identified, a time-bound corrective action plan is put in place and a reassessment timeframe agreed by both parties. With EcoVadis, both Coty and the supplier receive a report based on supporting documents from the supplier and 100,000 data points and references, including from governments, charities, trade associations and stakeholders.

Using the EcoVadis platform, 487 suppliers were assessed in FY22, scoring on average 29% higher than the overall EcoVadis average.

### **ADDRESSING RISKS**

In addition to our supplier compliance process, we recognize the increased risks of human and labor rights abuses with certain raw materials.

Mica is a key raw material used in many of our products to provide a pearlescent effect. Coty sources mica from different countries, including India. Within India, and specifically the Eastern States of Bihar and Jharkhand, there are known risks of child labor in mining communities. Coty is committed to sourcing mica responsibly. In 2017, we became a founding member of the multi-stakeholder effort, the Responsible Mica Initiative (RMI). As a member of the RMI, Coty is aligned to the RMI ambition to ensure 100% of our Indian Mica is responsibly sourced by 2030.

This target is delivered through three new 2030 pillars, aligned to the RMI framework:

- **Responsible Workplace Standards:** Working to ensure all Coty's mica sourcing from Jharkhand and Bihar is compliant with globally recognized responsible workplace standards that prohibit child labor.
- **Community Empowerment:** Working to ensure all mica-dependent communities we source from are covered by community empowerment programs, that include livelihood opportunities and education.
- **Legal Frameworks:** Advocating to have all mica workers in Bihar and Jharkhand operating under a clear legal framework.

We participate in the annual RMI data collection campaign, sharing details of our mica sourcing, and are working towards full traceability of processing units and mines to gain further visibility. Coty is part of a partnership between the RMI and the supply chain traceability platform, Tilkal. This partnership is the first multi-stakeholder blockchain-based solution to improve traceability across mica supply chains. All our supplier data has now been uploaded onto the Tilkal platform.

In this first year, we do not yet have complete data visibility through the tool, and so in parallel we have conducted an offline traceability data collection exercise with our suppliers. In FY2022, all the mica we sourced from direct suppliers was purchased from RMI members. We can trace all the mica we source to the country level. We sourced 28% of our mica from India and 85% of this mica is traced to mine level.

Our 2030 goal also incorporates our third-party manufacturing partners', and we are engaging these partners on their mica sourcing.

Approved by the Board in December 2022

Signed by Sue Y. Nabi

Chief Executive Officer, Coty